

**PROPERTY ASSESSMENT APPEAL BOARD**  
**FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER**

PAAB Docket No. 2019-006-00043C

Parcel No. 83022250

**William and Margaret Ramsey,**

Appellants,

vs.

**Benton County Board of Review,**

Appellee.

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**Introduction**

This appeal came on for hearing before the Property Assessment Appeal Board (PAAB) on November 21, 2019. Attorney Adam Babinat represented William and Margaret Ramsey. Benton County Attorney David Thompson represented the Board of Review.

The Ramseys, doing business as Lazy Acres RV Park, own a commercial RV park property located at 5486 32nd Avenue, Center Point. Its January 1, 2019, assessment was set at \$1,118,200. (Ex. C).

Ramsey petitioned the Board of Review contending there was an error in the assessment. Iowa Code § 441.37(1)(a)(4) (2019). The Board of Review lowered the assessment to \$1,028,700, allocated as \$351,200 in land value and \$677,500 in improvement value.

Ramsey then appealed to PAAB and continues to assert there was an error in the assessment, and now also asserts the assessment was not equitable as compared with assessments of other like property, and the property was assessed for more than the value authorized by law. §§ 441.37(1)(a)(1, 2 & 4).

## **General Principles of Assessment Law**

PAAB has jurisdiction of this matter under Iowa Code sections 421.1A and 441.37A. PAAB is an agency and the provisions of the Administrative Procedure Act apply. § 17A.2(1). This appeal is a contested case. § 441.37A(1)(b). PAAB may consider any grounds under Iowa Code section 441.37(1)(a) properly raised by the appellant following the provisions of section 441.37A(1)(b) and Iowa Admin. Code R. 701-126.2(2-4). New or additional evidence may be introduced. *Id.* PAAB considers the record as a whole and all of the evidence regardless of who introduced it. § 441.37A(3)(a); *see also Hy-Vee, Inc. v. Employment Appeal Bd.*, 710 N.W.2d 1, 3 (Iowa 2005).

## **Findings of Fact**

The Ramseys purchased the subject property through a 1031 exchange and land contract sale for \$1,100,000 in July 2017. At that time, the property had 82 RV spaces. The Ramseys have since added 15 RV spaces at a cost of \$129,559 for a current total of 97 spaces. The 23.580 acre site is also improved with a 1232-square-foot, one-story residence with an attached garage; an office/store building; and two metal warehouses. (Exs. A & 3). The property is also improved with cabins, a gazebo, restrooms with showers, a splash pad, and mini golf course. Also located on the property are playground equipment and related recreational items, picnic tables, fire rings, a park model and signage. These items are not assessed as real estate. (Exs. 2 & A). The property is located off Interstate 380 at Urbana, which is about 30 minutes from Waterloo and 25 minutes from Cedar Rapids. It was established in 2005 and most of the structures were added later. (Ex. A, p. 4).

William Ramsey testified regarding the purchase of the subject property. He noted he has over 58 years in the real estate business and was a licensed appraiser most of that time. The Ramseys bought the subject property as an investment. The transaction was facilitated through a 1031 exchange whereby the Ramseys exchanged a 12-plex building, which Ramsey believed was worth approximately \$620,000, in addition to cash for the subject property; the total exchange value was \$840,450. (Ex.

8). The balance of the purchase price, approximately \$275,000, was financed through a land contract with the seller. He did not appraise the subject property, nor did he know the assessed value of the property before the purchase. He asserts the sale price was for the real estate and the ongoing business, which also included personal property.

The Ramseys submitted the realtor listing of the subject property showing a list price of \$1,200,000 for the “fully equipped turn key (sic) RV park.” (Ex. 3). The Declaration of Value, completed by the sellers on June 22, 2017, set forth the amount paid for the real property as \$1,100,000. (Ex. G, p. 1). Ramsey contends the land and improvements should be valued at \$446,013 and the balance \$653,987 attributed to personal property and blue sky (business value). He completed his own Declaration of Value on April 30, 2019, showing this breakdown of the purchase price. (Ex G, p.2). Because the transaction was facilitated through an intermediary, Ramsey did not see the transaction closing documents and no document containing his allocation of the purchase price was presented.

Donna Hoffman, Ramsey’s daughter and employee, prepared the Petition to the Board of Review and attachments. (Ex. C). She manages the financial side of Lazy Acres and has been in the appraisal industry for 30 years, but was last certified in 2005. She included a listing of personal property items she asserts were included in the sale, along with her calculation of the business valuation at \$303,737, which she also asserts was part of the sale. (Exs. C & 9). Hoffman arrived at this valuation by using the Discounted Cash Flow Method (DCF) calculated by taking the amount of Ramsey’s debt to acquire the property, \$275,000, and applying a 4% discount rate to arrive at a net present value.

Hoffman further explained the income levels of Lazy Acres have not kept pace with the projections provided by the sellers. For 2017, Lazy Acres reported a net income of \$36,188. (Ex. 8). In 2018, Lazy Acres reported a net loss of \$38,000 due to the added campsites. She projected less gross income for 2019, largely due to the closing of the nearby Duane Arnold Energy Center.

Hoffman prepared a listing of what she considered personal property for her insurance company. This listing was attached to the insurance policy submitted as

Exhibit 9, but is not a part of the policy document. Moreover, she acknowledged that only the golf carts, park model mobile home, and scheduled equipment items were included in the insurance policy. A two-page schedule of these items with combined insurance limits of \$52,700 was attached to the six-page policy. It is not clear that these two pages are actually a part of the policy because the policy numbers are redacted and the two pages appear to reference a different entity than the agency noted on the policy. (Ex. 9, p.1-2). The only reference to other personal property in the policy is to “business personal property” in the store/office/commons with a limit of insurance of \$20,000. (Ex 9, p.2 of 6). Hoffman’s two-page list totaled \$512,750. She stated the values set forth on each item were replacement values that her brother-in-law researched online and provided to her.

The Board of Review was critical of Hoffman’s listing noting that multiple items were actually part of the real estate. Hoffman conceded that the well and pump, septic tanks and pumps, electric pedestals, sewer caps, splash pad, mini golf course, gazebo, pavilion, restrooms, cabins, gates, and fences were structures or improvements that would be part of the real estate assessment. Additionally, Hoffman acknowledged most of the items were not covered by her insurance policy. The Board of Review provided valuations and related website information concerning most of the personal property items on her list and arrived at significantly lower valuations. (Ex. E). Larry Andreesen, Benton County Assessor testified that after removing the non-personal property items, in his opinion, the total potential value of personal property was \$123,000. He also testified about his March 2019, on-site visit, at which time Ramsey told him personal property of “over \$100,000” was included in the sale price.

Andreesen testified commercial property in Benton County underwent a revaluation in 2017. The County contracted with Vanguard Appraisals to research and evaluate all such properties and input the updated information in the County’s database. On January 1, 2017, the subject property was assessed at \$1,048,600, a sizable increase from the 2016 valuation of \$579,800. At the time of the 2017 assessment, Ramsey had yet to purchase the property and Vanguard could not have used the sale in its appraisal analysis. After the sale, Andreesen became aware of the campsite

additions made by Ramsey. The property card was updated to reflect these changes. Andreesen explained the Board of Review lowered the 2019 assessment by \$89,500 to account for the possibility of some personal property in the value. The reduction was accomplished by adjusting the buildings' obsolescence to 20%.

Hoffman testified she did not know of any other privately owned RV parks in Benton County. Ramsey testified a RV park is difficult to appraise because of the lack of comparables, and in his opinion, it is not comparable to a mobile home park that operates twelve months out of the year.

Hoffman testified that if she was to appraise Lazy Acres, she would rely on the following four RV Park properties. (Ex. 4-7).

Comparable	Year Built	RV Spaces	Site Size (acres)	Sale Date	Sale Price	Assessed Value
Subject – Lazy Acres	2005	97	23.58	June-17	\$1,100,000	\$1,028,700
1 - Timberline	1961	90	18.62	May-17	\$1,950,000	\$852,750
2 – Hunt's	1968	167	33.40			\$389,430
3 – Newton KOA	1974	70	39.15	Jan-18	\$947,585	\$620,930
4 – Lost Island	2012	172	76.43			\$2,446,220

Hoffman testified Comparables 1, 2, and 3 are all located in proximity to Interstate 80. Only Comparables 1 and 3 have recently sold and Hoffman did not adjust those sales to account for the differences between them and the subject property to establish an opinion of market value.

Hoffman was familiar with Comparables 1 and 2 because she and William had considered purchasing them. Comparable 1 is located in Waukee. She considered it comparable to Lazy Acres, but is in a bigger market and also has a pool. She noted that despite the sale price of over \$1.9 million, it is assessed at \$852,750. (Ex. 4). We note Comparable 1's improvements are significantly older than the subject's and the Dallas County Assessor lists them as in below normal condition.

Comparable 2 has not recently sold. Hoffman indicated it has not been well maintained, but is a larger site with more campsites, and a pool. (Ex. 5).

Comparable 3 is located across from the Iowa Speedway. While Hoffman has not been to the property in person, she noted it has a larger site than Lazy Acres but has

fewer campsites. (Ex. 6). This comparable also has two residences and cabins similar to the subject. It sold in January 2018 for \$947,585 and is assessed for \$620,930. We note the improvements on this property are older than the subject's improvements.

Hoffman was also familiar with Comparable 4. It is a significantly larger RV park located near a waterpark and casino in Waterloo. It is more than three times larger than the subject with nearly double the campsites. It also has year-round spaces and thirteen large cabins with plumbing. It has not recently sold. It is classified as multi-residential and assessed at \$2,446,220. (Ex. 7).

Hoffman's purpose for submitting the above properties was to demonstrate that other similar properties have lower assessed values. None of Hoffman's comparable properties are located in Benton County.

The Board of Review was critical of Hoffman's comparables because they were all in different market areas with different market appeal and in its opinion are therefore not truly comparable. Andresen also noted the sales prices indicated on Exhibits 4 and 6 would likely be for real estate only. Lastly, we note the sales condition codes for Comparables 1 & 3 are D28. This code indicates the sale transactions may have involved multiple parcels.<sup>1</sup>

Lastly, Andreesen testified he discovered an error in the subject's property record card listing for yard item 21 concerning fencing and gate pricing that had been transposed. He submitted a corrected property record card now showing a January 1, 2019 assessment of \$1,009,500. (Ex. I) The record also reflects the Iowa Department of Revenue issued a 14% equalization order to Benton County mandating an assessment of the subject property at \$1,150,900. (Ex. A & I). The Ramseys have not appealed the equalization order.

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<sup>1</sup> Sale Condition Code D28 indicates the "Sale of two or more parcels with different statutory classifications." Iowa Dep't. of Revenue, Sales Condition Codes for Contract and Deed Sales Effective 8/31/15, <https://tax.iowa.gov/sites/default/files/idr/documents/Sales%20Condition%20Codes.pdf>.

## Analysis & Conclusions of Law

The Ramseys contend their assessment is not equitable as compared with assessments of other like property in the taxing district and is assessed for more than the value authorized by law under Iowa Code sections 441.37(1)(a)(1 & 2). They also assert there is an error in the assessment. § 441.37(1)(a)(4). Ultimately, the Ramseys assert the land and improvements should be valued at \$446,013.

To prove inequity, a taxpayer may show an assessor did not apply an assessing method uniformly to similarly situated or comparable properties. *Eagle Food Centers v. Bd. of Review of the City of Davenport*, 497 N.W.2d 860, 865 (Iowa 1993). Alternatively, a taxpayer may show the property is assessed higher proportionately than other like property using criteria set forth in *Maxwell v. Shivers*, 133 N.W.2d 709 (Iowa 1965). The properties the Ramseys submitted were not located in the same taxing district as the subject and therefore cannot be considered for an inequity claim. *Maytag v. Partridge*, 210 N.W.2d 584, 594-95 (Iowa 1973). Accordingly, the Ramseys' inequity claim must fail.

In an appeal alleging the property is assessed for more than the value authorized by law under Iowa Code section 441.37(1)(a)(2), the taxpayer must show: 1) the assessment is excessive and 2) the subject property's correct value. *Soifer v. Floyd Cnty. Bd. of Review*, 759 N.W.2d 775, 780 (Iowa 2009) (citation omitted).

There is no presumption the assessed value is correct, but the taxpayer has the burden of proof. §§ 441.21(3); 441.37A(3)(a). The burden may be shifted; but even if it is not, the taxpayer may still prevail based on a preponderance of the evidence. *Id.*; *Compiano v. Bd. of Review of Polk Cnty.*, 771 N.W.2d 392, 396 (Iowa 2009) (citation omitted). To shift the burden, the taxpayer must "offer[] competent evidence that the market value of the property is different than the market value determined by the assessor." Iowa Code § 441.21(3). To be competent evidence, it must "comply with the statutory scheme for property valuation for tax assessment purposes." *Soifer v. Floyd Cnty. Bd. of Review*, 759 N.W.2d 775, 782 (Iowa 2009) (citations omitted).

Sale prices of property or comparable properties in normal transactions are to be considered in arriving at market value. § 441.21(1)(b). Sale prices of property in

abnormal transactions not reflecting market value shall not be taken into account or shall be adjusted to account for market distortion. *Id.* The sale price of the subject is a matter to be considered in arriving at market value, but does not conclusively establish that value. *Riley v. Iowa City Bd. of Review*, 549 N.W.2d 289, 290 (Iowa 1996); *McHose v. Property Assessment Appeal Bd.*, 2015 WL 4488252 (Iowa Ct. App. July 22, 2015) (upholding PAAB's decision not to rely on subject's sales price of \$71,900 when evidence showed comparable properties were sold from \$103,000 to \$106,000). Iowa courts have acknowledged that contract sales should only be used with "considerable care." *Redfield v. Iowa State Highway Comm'n.* 110 N.W.2d 397, 402 (Iowa 1961). Unadjusted contract sales "must be carefully examined to ensure they reflect the market value of the property." *Payton Apartments, Ltd. v. Bd. of Review of City of Des Moines*, 358 N.W.2d 325, 329 (Iowa Ct. App. Sept. 25, 1984).

In this case, Ramsey relies primarily on the purchase price of the subject property and subsequent allocations of the purchase price to real and personal property. They allocate the sales price as follows:

Land and improvements: \$446,013

Blue Sky (Business Value) and Personal Property: \$653,987

First of all, we are leery about relying on the subject's sales price as a starting point. Because the transaction was structured as a 1031 exchange, it was intended to defer capital gains taxes on Ramsey's 12-plex property and cash valued on his tax return as \$840,450. This is not a customary normal sales transaction; rather it is driven by acquiring "like-kind" property with equivalent or greater value than the relinquished property and thereby defer tax consequences. Further, Ramsey testified the purchase was partly financed through a land contract sale. Thus, we do not find the sale price of the subject alone sufficient to shift the burden under section 441.21(1)(b). Moreover, given the nature of the sales transaction, we question its reliability as reflection of the subject's fair market value.

Even if we could rely on the subject's sales price, we find the allocations the Ramseys propose are unreliable. Importantly, no documentation was supplied demonstrating these allocations were contemplated as part of the sales transaction.



The Ramseys did not support their valuation of the business by submitting the methodology, underlying data, or calculations into evidence. Without this information, we cannot place any reliance on the resulting figures.

The Ramseys estimate of personal property value was also not persuasive. Their estimates included clearly assessable real estate items and primarily relied on replacement cost, not actual market value. Overall, the evidence failed to substantiate the Ramseys' value of the personal property and we cannot place any reliance on the allocation.

The Ramseys arrived at their opinion of the subject's land and improvements by process of deduction – after removing the value they determined for the business and personal property from the sale price. This value was not determined based upon or substantiated by any recognized methodology in Iowa Code section 441.21. Although the Ramseys provided comparable RV Parks, only two had sold and no adjustments were made to account for the differences between them and the subject. They were close in size to the subject, and sold for \$1,950,000 and \$947,585.<sup>2</sup> Even unadjusted, they support the assessment of the subject. The Ramseys did not provide any additional evidence of the property's value such as an appraisal or a Comparable Market Analysis, which is typical evidence to support a claim of over assessment.

Viewing the record as a whole, we find the subject property is not inequitably assessed or over assessed. However, the Board of Review has conceded an error in the assessment which when corrected results in a pre-equalized assessment of \$1,009,500.

## **Order**

PAAB HEREBY MODIFIES the Benton County Board of Review's action and orders that the subject property's January 1, 2019, assessment be set at \$1,009,500, allocated as \$351,200 to land and \$658,300 to improvements. The Department of

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<sup>2</sup> Based on the sales condition codes, it is possible these sale prices reflect a transaction involving multiple parcels. This is another reason caution must be used before relying upon these unadjusted sale prices.

Revenue's equalization order for commercial properties in Benton County shall be applied to this value.

This Order shall be considered final agency action for the purposes of Iowa Code Chapter 17A.


Any application for reconsideration or rehearing shall be filed with PAAB within 20 days of the date of this Order and comply with the requirements of PAAB administrative rules. Such application will stay the period for filing a judicial review action.

Any judicial action challenging this Order shall be filed in the district court where the property is located within 30 days of the date of this Order and comply with the requirements of Iowa Code section 441.37B and Chapter 17A (2019).



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Karen Oberman, Board Member



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Dennis Loll, Board Member



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Elizabeth Goodman, Board Member

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